STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING OF December 17, 2020

| AGENCY: | Department of Administration, | Facilities Manageme | nt and Property Service |
|---------|-------------------------------|---------------------|-------------------------|
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SUBJECT: Real Property Conveyance – Veterans Terminal

The SC State Ports Authority (Port) requests approval to sell and exchange approximately 76.5± acres at the Veterans Terminal to and with the United States of America, acting by and through the United States Coast Guard, for the amount of \$4,540,000 and approximately 89.29± acres of adjacent federally owned land. The Veterans Terminal is a non-containerized (breakbulk, bulk) cargo facility, which includes 4 piers and approximately 97,000 square feet of warehouse space. The Port licenses portions of the Veterans Terminal to tenants. The Port itself has very limited operations at the Veterans Terminal due to a variety of factors, including but not limited to a lack of demand for non-containerized services at that location and aging infrastructure/warehouse space at the terminal. The Port has declared the subject property as unnecessary for future operations or to carry out its purposes

The United States Coast Guard (USCG) plans to consolidate its facilities across the South Carolina coast and expand its operations in the Charleston area by making the USCG Base Charleston, which is directly adjacent to the Veterans Terminal. The USCG also plans to homeport national security vessels at the new site. Negotiations between the Port and USCG have taken place over the past couple of years.

The Port has also agreed to grant two (2) temporary, non-exclusive easements on the Unites States property to be received by the Port to the United States of America, acting by and through the United States Coast Guard, or its designee, in exchange for a total of \$1,638,000. The first temporary easement (FLETC Easement) of approximately 33 acres includes use of all improvements within the identified area and will terminate on December 31, 2023. The FLETC Easement's value is \$1,544,400. The second temporary easement (Tower Easement) of approximately 8 acres includes use of all improvements within the identified area and will terminate on September 30, 2021. The Tower Easement's value is \$93,600.

The proceeds from this transaction will be retained by the State Ports Authority pursuant to 2019-2020 Appropriations Bill H.4000, Part 1B, §93.15.

AUTHORITY ACTION REQUESTED:

As requested by the SC State Ports (Port) Authority through the Department of Administration, Facilities Management and Property Services, approve the proposed land sale and exchange by the SC State Ports Authority to and with the United States of America, acting by and through the United States Coast Guard, as well as the grant of two (2) temporary, non-exclusive easement.

ATTACHMENTS: Agenda item worksheet with attachments

STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

Meeting Scheduled for: December 17, 2020 Regular Agenda

1. Submitted by:

(a) Agency: Department of Administration

(b) Authorized Official Signature:

Ashlie Lancaster
Ashlie Lancaster, Director

Alginic Bancastor, Biro

2. Subject: Real Property Conveyance - Veterans Terminal

3. Summary and Background Information:

The SC State Ports Authority (Port) requests approval to sell and exchange approximately 76.5± acres at the Veterans Terminal to and with the United States of America, acting by and through the United States Coast Guard, for the amount of \$4,540,000 and approximately 89.29± acres of adjacent federally owned land. The Veterans Terminal is a non-containerized (breakbulk, bulk) cargo facility, which includes 4 piers and approximately 97,000 square feet of warehouse space. The Port licenses portions of the Veterans Terminal to tenants. The Port itself has very limited operations at the Veterans Terminal due to a variety of factors, including but not limited to a lack of demand for non-containerized services at that location and aging infrastructure/warehouse space at the terminal. The Port has declared the subject property as unnecessary for future operations or to carry out its purposes.

The United States Coast Guard (USCG) plans to consolidate its facilities across the South Carolina coast and expand its operations in the Charleston area by making the USCG Base Charleston, which is directly adjacent to the Veterans Terminal. The USCG also plans to homeport national security vessels at the new site. Negotiations between the Port and USCG have taken place over the past couple of years.

The Port has also agreed to grant two (2) temporary, non-exclusive easements on the Unites States property to be received by the Port to the United States of America, acting by and through the United States Coast Guard, or its designee, in exchange for a total of \$1,638,000. The first temporary easement (FLETC Easement) of approximately 33 acres includes use of all improvements within the identified area and will terminate on December 31, 2023. The FLETC Easement's value is \$1,544,400. The second temporary easement (Tower Easement) of approximately 8 acres includes use of all improvements within the identified area and will terminate on September 30, 2021. The Tower Easement's value is \$93,600.

The proceeds from this transaction will be retained by the State Ports Authority pursuant to 2019-2020 Appropriations Bill H.4000, Part 1B, §93.15.

4. What is the Authority asked to do? Consider approval of the proposed land sale and exchange by the SC State Ports Authority to and with the United States of America, acting by and through the United States Coast Guard, as well as the grant of two (2) temporary, non-exclusive easements.

| 5. | What is recommendation of the submitting agency involved? Consider approval of the proposed land sale and exchange by the SC State Ports Authority to and with the United States of America, acting by and through the United States Coast Guard, as well as the grant of two (2) temporary, non-exclusive easements. | | |
|----|--|--|--|
| 6. | Private Participant Disclosure – Check one: ☑ No private participants will be known at the time the Authority considers this agenda item. ☐ A Private Participant Disclosure form has been attached for each private participant. As referenced on the Disclosure forms, a private participant is a natural person or non-governmental legal entity which may directly benefit from, and is participating in or directly associated with, the requested approval. | | |
| 7. | Recommendation of other office (as required)? | | |
| | (a) Authorized Signature: | | |
| 8. | List of Supporting Documents: | | |
| | (a) Letter from Randolph R. Lowell of Willoughby & Hoefer, P.A., General Counsel for the SC State Ports Authority dated October 29, 2020 (b) SC State Ports Authority Resolution Authorizing the Veterans Terminal Land Sale and Transfer with the United States of America, Acting by and through the United States Coast Guard and Exhibits | | |
| | (c) Boundary Map and Plats (c) SC Code of Laws Section 54-3-155 (d) 2019-2020 Appropriations Bill H4000, Part 1B, Proviso 93.15 | | |

WILLOUGHBY & HOEFER, P.A.

ATTORNEYS & COUNSELORS AT LAW

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ELIZABETH S MABRY J PATRICK HUDSON OF COUNSEL

JOSEPH H. FARRELL, III SPECIAL COUNSEL

'ALSO ADMITTED IN TEXAS

"ALSO ADMITTED IN WASHINGTON, D.C.

"'ALSO ADMITTED IN CALIFORNIA

"'ALSO ADMITTED IN NORTH CAROLINA

October 29, 2020

Mr. Delbert Singleton State Fiscal Accountability Authority Wade Hampton Building, Ste 600 Columbia, SC 29201

Ms. Ashlie Lancaster South Carolina Department of Administration 1200 Senate Street, Ste. 460 Columbia, SC 29201

Dear Mr. Singleton and Ms. Lancaster:

The purpose of this letter is to notify you of the intention of the South Carolina State Ports Authority (Ports Authority) to seek the approval of the State Fiscal Accountability Authority (SFAA) and/or the South Carolina Department of Administration (DOA) for the sale and exchange of certain real property located in Charleston County, South Carolina. A Real Property Transaction Submission & Approval Form relating to this request is attached hereto as Exhibit A.

By way of a brief background and introduction, the Charleston Naval Base (Naval Base) was established in 1901 originally as a shipyard, before later expanding into a full base during World War II. Covering approximately 1,575 acres on the west bank of the Cooper River in North Charleston, the Naval Base was in operation until 1996, when it was closed as the result of the recommendations of the 1993 Base Realignment and Closure (BRAC) Commission. Hundreds of thousands of people—military and civilian—were employed at the Naval Base throughout its operating years, and thousands of vessels were either built or supported there. As a result, the Naval Base had an enormous economic impact on the local community, the tri-county area, and the entire State of South Carolina.

Following closure of the Naval Base, the Charleston Naval Complex Redevelopment Authority (RDA) was established to manage the property for redevelopment and the creation of jobs. In April 1999, the RDA awarded a sublease with an option to purchase a portion of the Naval Base, now known as Veterans Terminal (VT), to the Ports Authority. VT is a non-containerized (breakbulk, bulk) cargo facility, which includes 4 piers and approximately 97,000 square feet of warehouse space. The Ports Authority formally exercised its option to purchase and took title to VT in April 2019.

¹ From West to East, the Piers at VT are referred to as Piers Lima, Zulu, Mike, and November.

Mr. Delbert Singleton Ms. Ashlie Lancaster October 29, 2020 Page 2 of 4

The Ports Authority licenses portions of VT to tenants. Notably, the Ports Authority itself has very limited operations at VT due to a variety of factors, including but not limited to a lack of demand for non-containerized services at that location and aging infrastructure/warehouse space at VT. Instead, the Ports Authority has focused growth and investment on containerized cargo options and the ability to handle higher capacity container ships.

Specifically, in order to meet the growing demand for containerized cargo services in the Southeast, the Ports Authority is on track to open the Hugh K. Leatherman Terminal (HLT) in March 2021, marking the country's first new container terminal in more than a decade. Like VT, the future HLT is located on a portion of the former Naval Base along the Cooper River. HLT will greatly enhance the Ports Authority's capacity and capabilities upon completion, including the ability to handle 19,000-TEU vessels at each berth. At full buildout, HLT will encompass 280-acres, three berths, and have an annual capacity for 2.4 million 20-foot containers (TEU)—doubling the Ports Authority's current volumes.

Phase 1 of HLT, which is the portion scheduled to open in March 2021, is situated on 134-acres and includes a 1,400 wharf, five new ship-to-shore cranes, 25 hybrid rubber-tired gantry cranes, and a new terminal operations headquarters building. It is expected to add 700,000 TEU of additional volume. Among other aspects, Phase 2 of HLT adds a second berth and another 700,000 TEU in volume capacity. Full buildout of Phase 3 includes a third berth and the full 2.4 million TEU in capacity for the finished terminal. HLT will also be supported by an intermodal container transfer facility to facilitate rail.

In recent years, the United States Coast Guard (USCG) developed plans to make U.S. Coast Guard Base Charleston (Base Charleston), which is directly adjacent to VT and includes 6 piers and multiple cutters (among other vessels), one if its largest bases in the United States. Pursuant to those plans and over the next five years, USCG will homeport multiple new cutters and consolidate its Charleston-area operations at Base Charleston. Like VT and HLT, Base Charleston is also located on a portion of the former Naval Base.

In support of their respective development and expansion plans, the Ports Authority and USCG began negotiating for an exchange of property, whereby the Ports Authority would receive a federally-owned parcel of land at the former Naval Base to construct a portion of HLT, and USCG would receive a portion of VT adjacent to Base Charleston to allow for more vessel and operating area (Land Exchange).

Specifically, the Ports Authority parcel to be exchanged is approximately 76.5-acres, and includes Piers Mike and November (Port Property). The USCG parcel to be exchanged is approximately 89.29-acres, and includes portions of a former Navy land fill which will become part of HLT and used for container-support services (USCG Property). A map showing the location of both the Port Property and USCG property is attached as **Exhibit B**. Notably, the Port and USCG Properties to-be-exchanged are essential for the Ports Authority's HLT development plans, and USCG's Base Charleston expansion plans, respectively. To facility the transfer, the Ports Authority and USCG have agreed to exchange the respective parcels in "as is" condition.

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The primary boundaries for the relevant parcels are also reflected on the plats attached as **Exhibit C**. Of note, the Port Property and USCG Property are currently being subdivided for purposes of the Land Exchange, and the plats attached as Exhibit C are currently under review by the City of North Charleston. A copy of the existing deed and related documents for the Port Property is attached as **Exhibit D**.

In negotiating the Land Exchange, the Ports Authority commissioned an appraisal of both the Ports Authority and USCG parcels, which was performed by Sass, Herrin and Associates, Inc. (Sass Herrin). As reflected in the appraisal report dated November 11, 2019, a copy of which is attached as **Exhibit E**, Sass Herrin estimates the value of the Port Property to be \$21,840,000.00. As reflected in the appraisal report dated June 18, 2020, a copy of which is attached as **Exhibit F**, Sass Herrin estimates the value of the USCG Property to be \$17,300,000. As such, USCG agreed to pay the Ports Authority the difference of \$4,540,000 to "true up" the respective values as a condition of the Land Exchange.

In addition, the Ports Authority agreed to grant two temporary, non-exclusive easements on the USCG property, after it is received by the Ports Authority, to USCG for \$1,638,000. The first temporary easement of approximately 33-acres includes the orange-shaded area outlined in **Exhibit G**, where the Federal Law Enforcement Training Center currently operates a driver-training center and support facilities (FLETC Easement). The FLETC Easement will terminate on December 31, 2023. The second temporary easement of approximately 8-acres includes the yellow-shaded area outlined in Exhibit G, where the Coast Guard currently operates a NAVTEX communications tower (Tower Easement). The FLETC Easement's value of the total \$1,638,000 is \$1,544,400. The Tower Easement's value of the total \$1,638,000 is \$93,600.

In negotiating the FLETC and Tower Easements, the Ports Authority commissioned an appraisal of both easement parcels, which was performed by Sass Herrin. A copy of the easement appraisal report, dated June 29, 2020, is attached as **Exhibit H**. Pursuant to the easement appraisal report, Sass Herrin estimates the value of the FLETC easement at \$42,900/month, and the Tower Easement at \$10,400/month, which reflect a cumulative 6.9% annual rate of return. The \$1,638,000 easement price slightly discounted the 6.5% annual rate of return to reflect the fact that the lease payments will be fully paid up front, and the discount is an appropriate reflection of the time value of money, the significant financial and economic benefits to the State that will result from the development of HLT, and the national priority level of the Base Charleston expansion project.

More generally, given the significant container-volume expansion and large ship-handling capabilities of the future HLT, among other benefits, the Ports Authority believes the Land Exchange is appropriate and essential to its goal of becoming the preferred container terminal in the United States. In recognition of these factors, the Land Exchange as negotiated was formally

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approved by the Ports Authority Board at its Board meeting on October 19, 2020. A copy of the resolution approved by the Board is attached as Exhibit I.²

The property exchanged will allow Base Charleston to significantly expand its footprint and homeport more vessels with the addition of Piers Mike and November, which will provide even further economic benefits to the region and furthers national security. As a result of the Ports Authority's limited operations at VT, its possession of all four piers at the terminal was not required. However, Piers Lima and Zulu are not being transferred to the Coast Guard, and will continue to be available to the Ports Authority in support of existing operations, as necessary.

Finally, the Ports Authority further notes that the property exchange/sale and easements, for which the Ports Authority is seeking approval, will be undertaken with the resources available to the Ports Authority and has not impacted and will not impact the State's General Fund. Accordingly, and as more fully described above, the Ports Authority respectfully requests that SFAA and/or the DOA approve the property sale/exchange and easements.

Thank you for your assistance with this matter and, if you have any questions or need any additional information, please do not hesitate to contact me.

Very truly yours,

WILLOUGHBY & HOEFER, P.A.

Randolph RLowell

Randolph R. Lowell

² The resolution is awaiting final formatting and signature by the secretary, but the attached exhibit was the resolution approved by the Board.

RESOLUTION OF THE SOUTH CAROLINA STATE PORTS AUTHORITY AUTHORIZING THE VETERANS TERMINAL LAND SALE AND TRANSFER WITH THE UNITED STATES OF AMERICA, ACTING BY AND THROUGH THE UNITED STATES COAST GUARD

WHEREAS, the South Carolina State Ports Authority has, as its mission and purposes, among others, to contribute to the economic development of South Carolina by fostering and stimulating waterborne commerce, including both cargo and passengers, to develop and improve the harbors or seaports of the State and to construct, equip, maintain, develop and improve such harbors or seaports and their port facilities, to the increase of waterborne commerce, foreign and domestic, through such harbors and seaports;

WHEREAS, the South Carolina State Ports Authority, among its powers, may rent, lease, buy, own, exchange, acquire, mortgage, and dispose of such property, real or personal, as the Authority may deem proper to carry out its purposes;

WHEREAS, the South Carolina State Ports Authority has title interest in certain parcels of real property at Veterans Terminal in the County of Charleston, South Carolina, consisting of approximately 76.5 acres, including Tax Map System Numbers 400-00-080, 400-00-00-101, 400-00-00-113, and portions Tax Map System Number 400-00-00-043, referred to cumulatively herein as the "Ports Authority Property", and identified in Exhibit 1-A;

WHEREAS, the South Carolina State Ports Authority has determined that the Ports Authority Property is not necessary for future operations of the South Carolina State Ports Authority's terminals or to carry out its purposes as set forth in Section 54-3-130 of the South Carolina Code of Laws;

WHEREAS, the South Carolina State Ports Authority has agreed to sell and exchange the Ports Authority Property to and with the United States of America, acting by and through the United States Coast Guard, in exchange for the amount of Four Million Five Hundred Forty Thousand and 00/100 Dollars (\$4,540,000) and adjacent property owned by the United States of America, consisting of approximately 89.29 aces, including portions of Tax Map System Number 400-00-00-004, referred to as the "United States Property", and identified in Exhibit 1-A, which is reasonable and acceptable, and the sale and exchange of the Ports Authority Property and United States Property is desirable in the conduct of the South Carolina State Ports Authority's business and does not materially impair its ability to comply with any applicable provision of law or applicable bond resolution; and

WHEREAS, the South Carolina State Ports Authority has also agreed to grant two (2) temporary, non-exclusive easements on the United States Property received by the South Carolina State Ports Authority to the United States of America, acting by and through the United States Coast Guard, or its designee, in exchange for the amount of One Million Six Hundred Thirty-eight Thousand and 00/100 Dollars (\$1,638,000). The first temporary easement of approximately 33 acres includes use of all improvements within the area identified and outlined in Exhibit 1-B, and will terminate on December 31, 2023, unless extended by mutual agreement ("FLETC Easement"). The FLETC Easement's value of the total \$1,638,000 is \$1,544,400. The second temporary easement of approximately 8 acres area includes use of all improvements within the area identified outlined in

Exhibit 1-B, and will terminate on September 30, 2021, unless extended by mutual consent ("Tower Easement"). The Tower Easement's value of the total \$1,638,000 is \$93,600. The consideration received by the South Carolina State Ports Authority in exchange for these easements is reasonable and acceptable, and desirable in the conduct of the South Carolina State Ports Authority's business and does not materially impair its ability to comply with any applicable provision of law or applicable bond resolution.

NOW THEREFORE BE IT RESOLVED, that the Board of the South Carolina State Ports Authority, in a meeting duly assembled, authorizes the South Carolina State Ports Authority's President and Chief Executive Officer, James I. Newsome, III, or his designee, to take any and all steps and do any and all things necessary, including the execution of all contracts and documents, to: (a) conclude the transfer and exchange of the Ports Authority Property to the United States of America, acting by and through the United States Coast Guard, or its designee, (b) to receive the payment of Four Million Five Hundred Forty Thousand and 00/100 Dollars (\$4,540,000), and (c) to receive adjacent property owned by the United States Coast Guard, consisting of approximately 89.29 aces, including portions of Tax Map System Number 400-00-004.

NOW THEREFORE BE IT FURTHER RESOLVED, that the Board of the South Carolina State Ports Authority, in a meeting duly assembled, authorizes the South Carolina State Ports Authority's President and Chief Executive Officer, James I. Newsome, III, or his designee, to take any and all steps and do any and all things necessary, including the execution of all contracts and documents, to grant temporary easements to the United States of America, acting by and through the United States Coast Guard, or its designees, over portions of the United States Property received by the South Carolina State Ports Authority, for the payment of One Million Six Hundred Thirty Eight Thousand and 00/100 Dollars (\$1,638,000), as consideration.

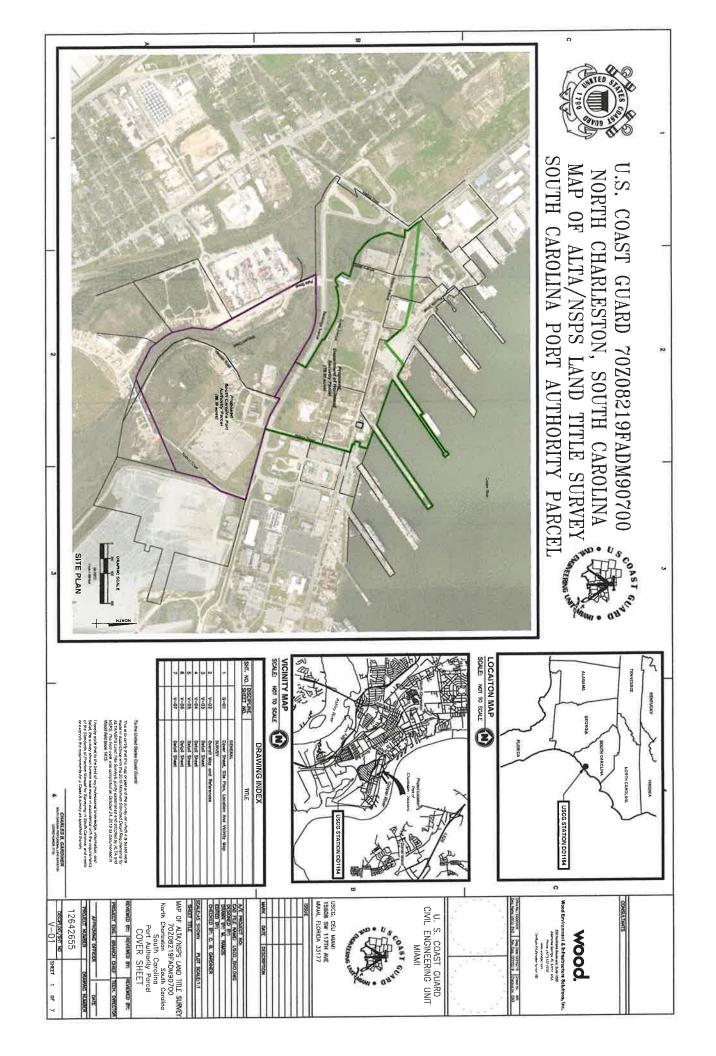
ADOPTED at the regular meeting of Board of Directors of the South Carolina State Ports Authority held October 19, 2020.

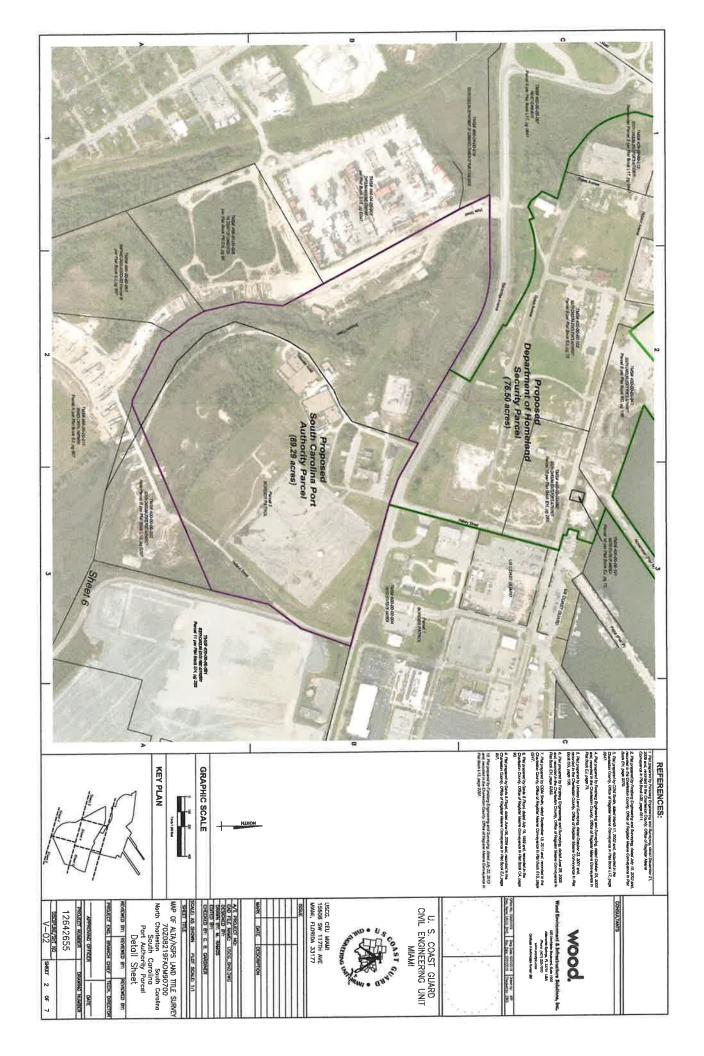
WITNESS the hand and seal of the Secretary of the South Carolina State Ports Authority.

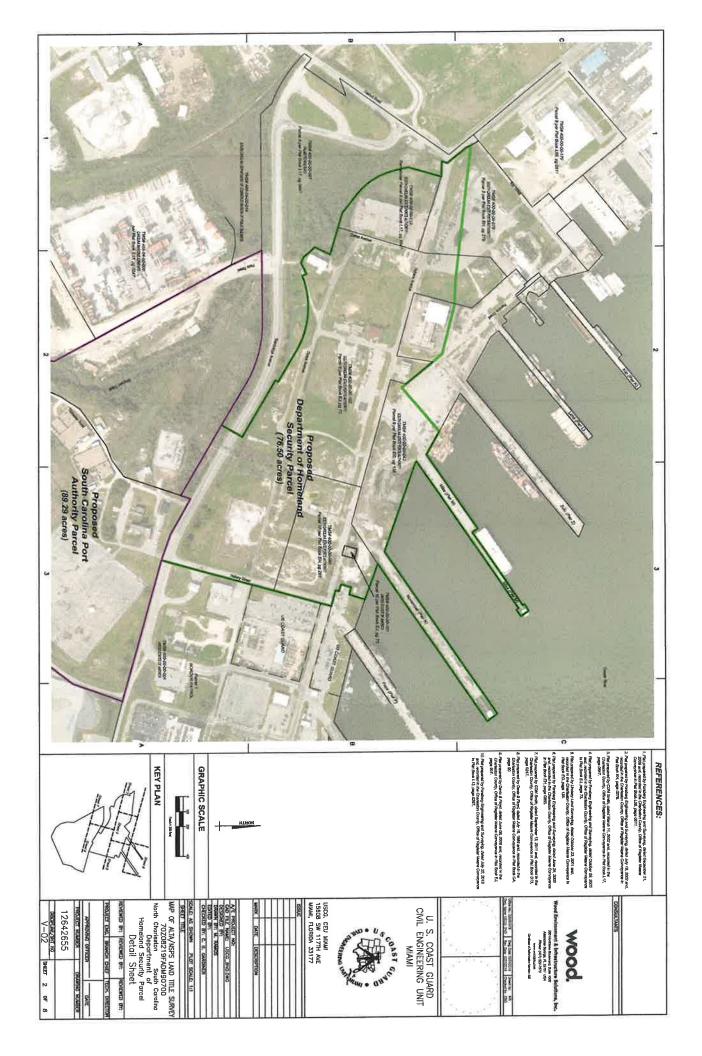
Secretary

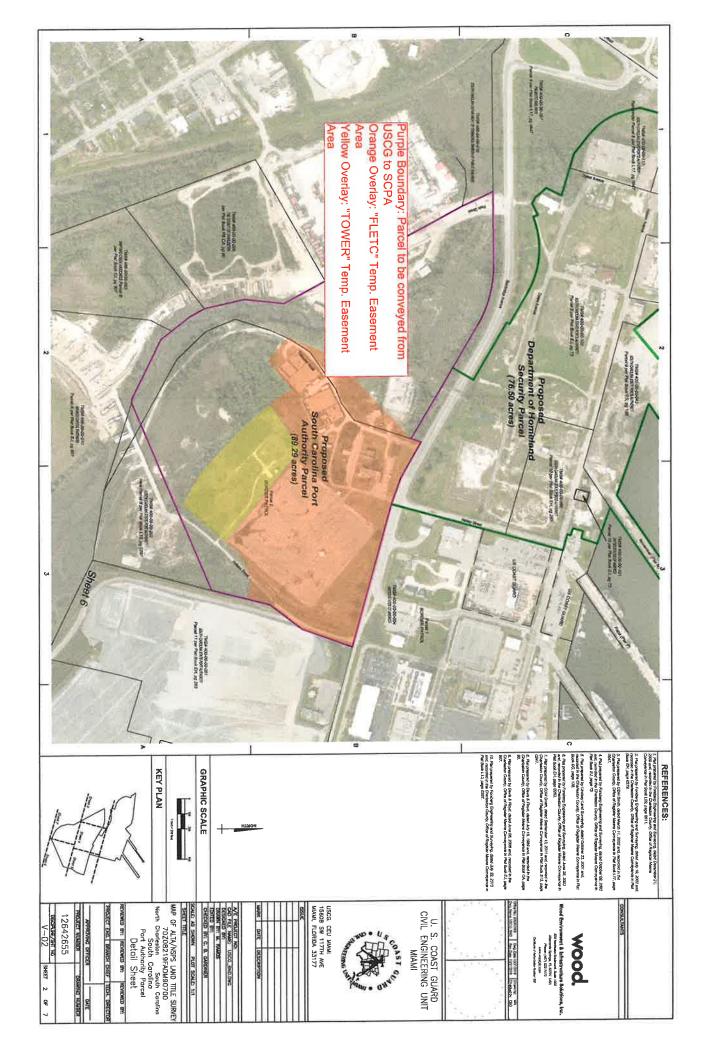
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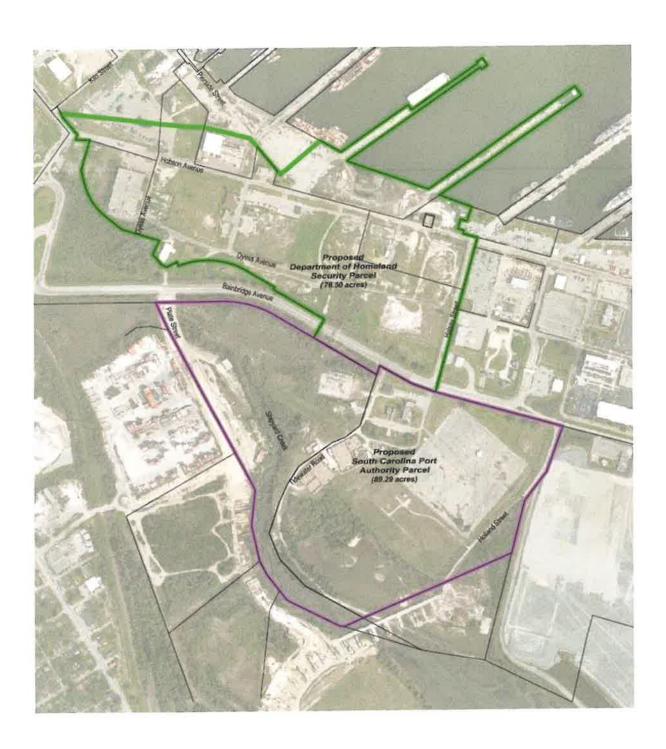
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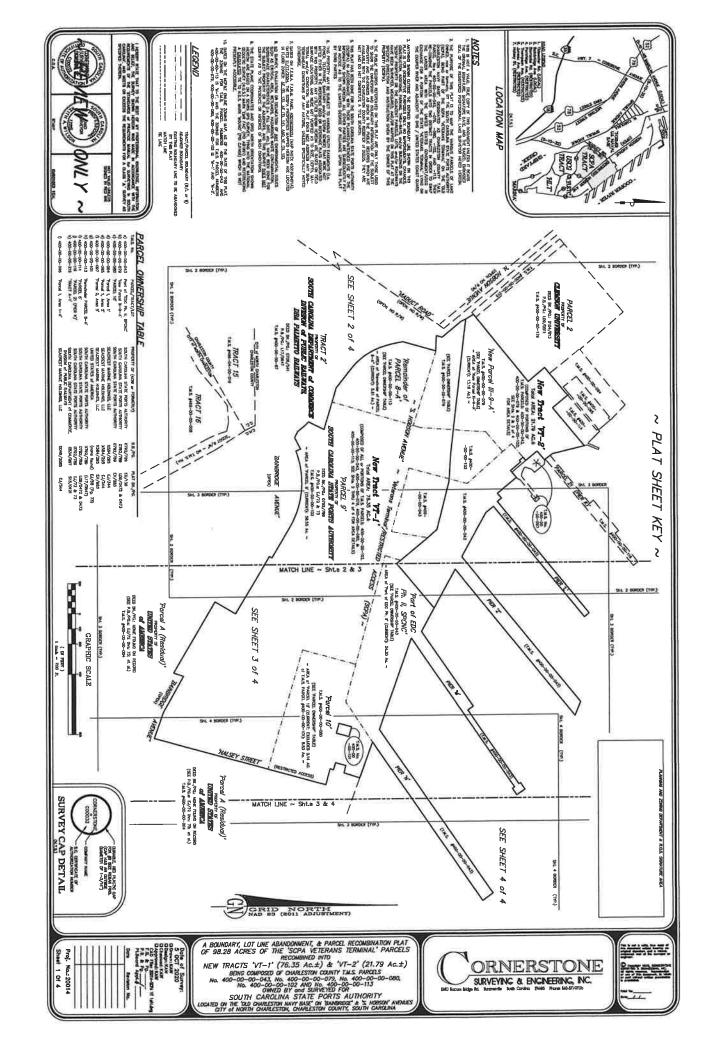


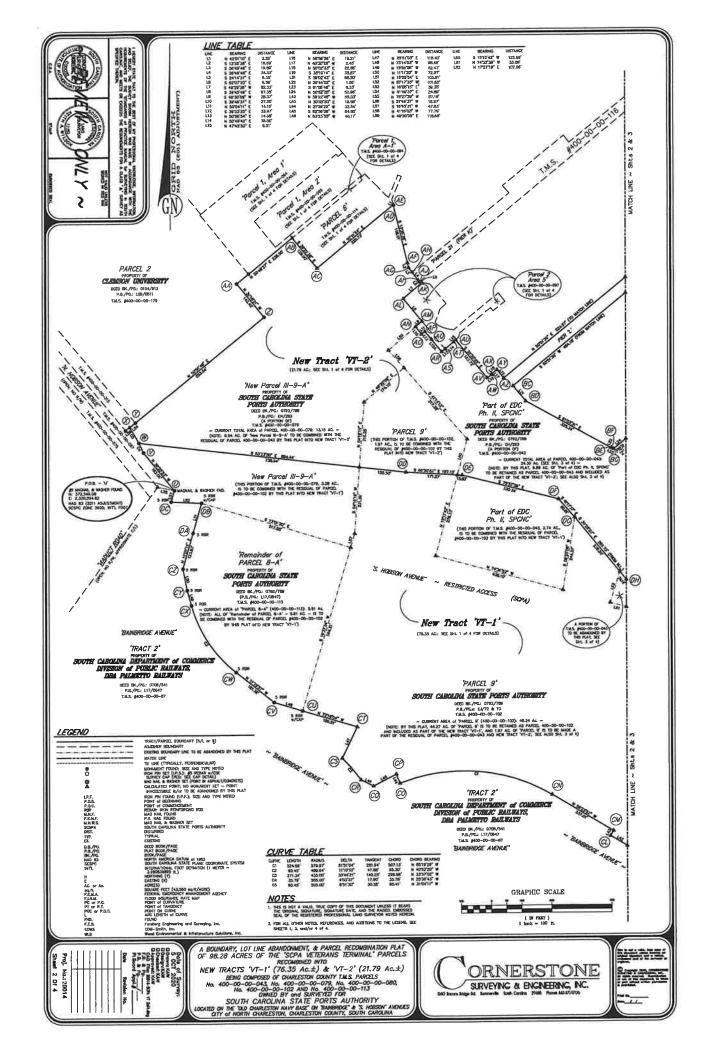


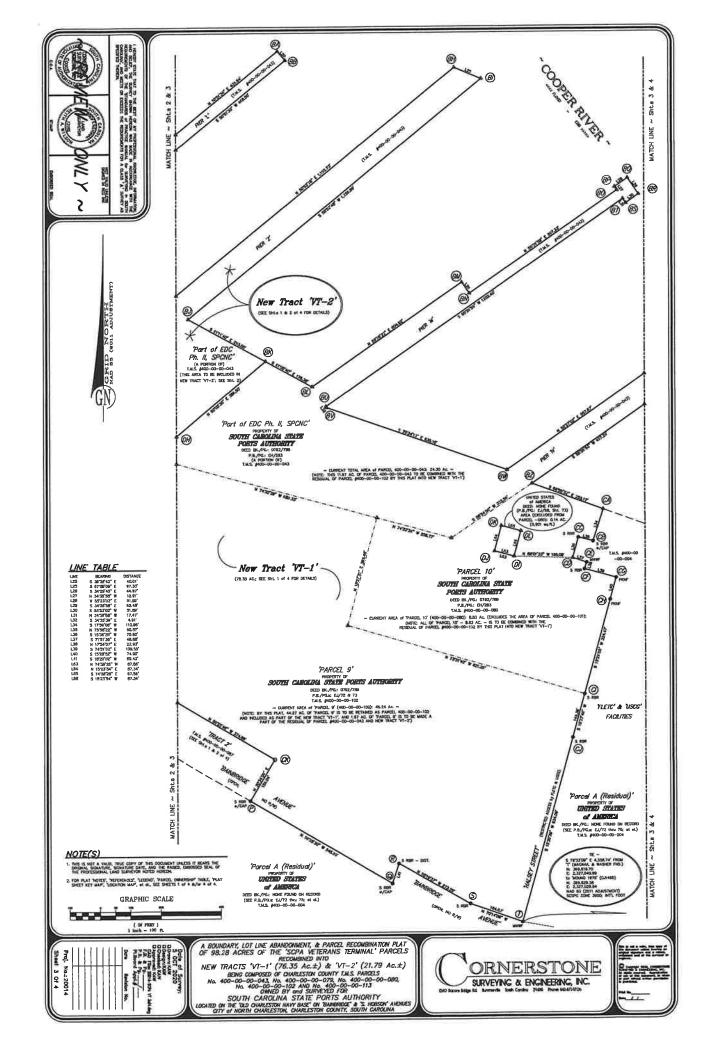


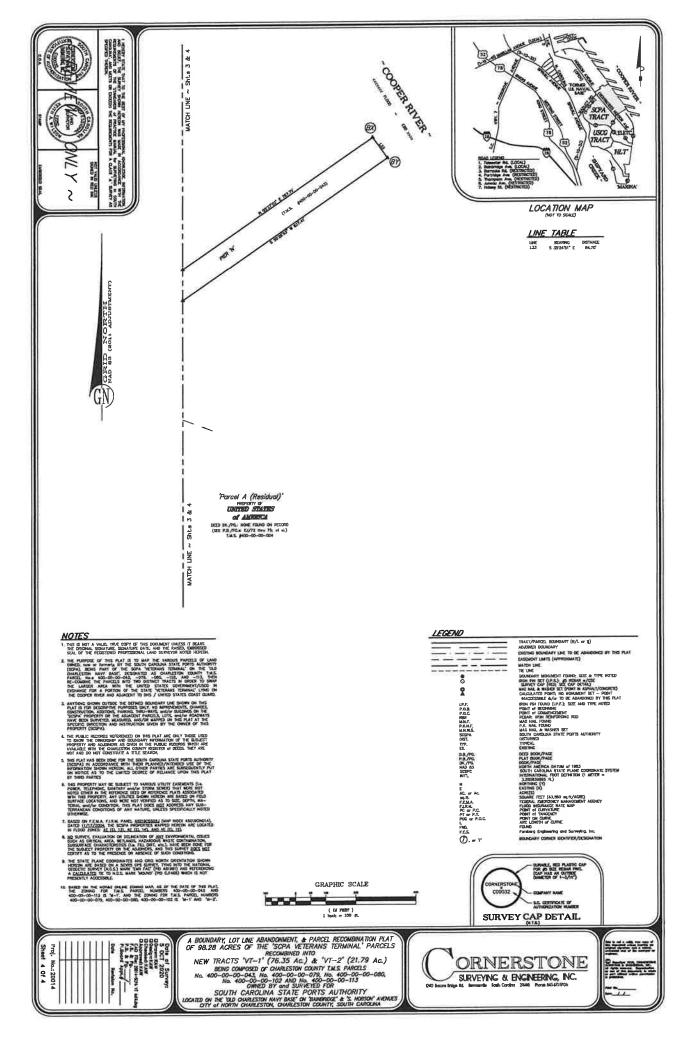


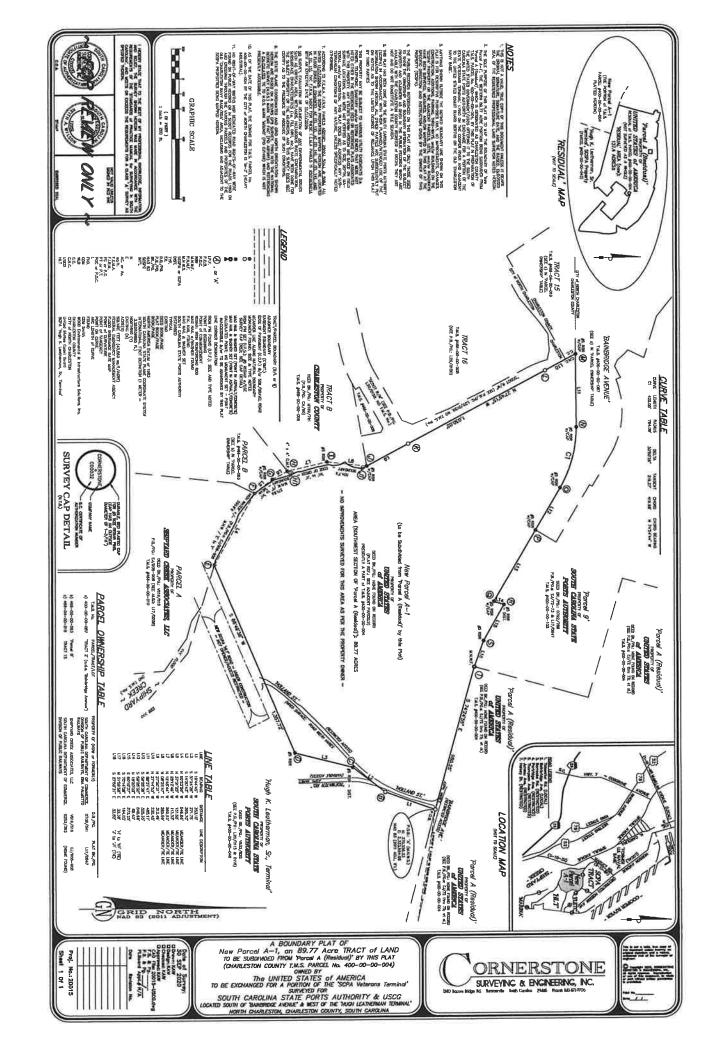












SOUTH CAROLINA CODE OF LAWS

TITLE 54 - PORTS AND MARITIME MATTERS

CHAPTER 3.

SOUTH CAROLINA STATE PORTS AUTHORITY

SECTION 54-3-155. Sale of real property, building, terminals, or other permanent structures.

Without prior approval from the State Fiscal Accountability Authority or the Department of Administration, as applicable, the authority may not sell any real property or any buildings, terminals, or other permanent structures, excluding equipment, appurtenant to real property that are or may be used to carry out the purposes of the authority as provided in Section 54-3-130.

HISTORY: 2009 Act No. 73, Section 8, eff June 16, 2009.

Code Commissioner's Note

At the direction of the Code Commissioner, references in this section to the offices of the former State Budget and Control Board, Office of the Governor, or other agencies, were changed to reflect the transfer of them to the Department of Administration or other entities, pursuant to the directive of the South Carolina Restructuring Act, 2014 Act No. 121, Section 5(D)(1), effective July 1, 2015.

South Carolina General Assembly

123rd Session, 2019-2020

H. 4000

General Appropriations Bill for fiscal year 2019-2020 As Ratified by the General Assembly

PART IB

OPERATION OF STATE GOVERNMENT

SECTION 93 - D500-DEPARTMENT OF ADMINISTRATION

93.15. (DOA: Sale of Surplus Real Property) Up to fifty percent of the proceeds, net of selling expenses, from the sale of surplus real properties shall be retained by the Department of Administration and used for the deferred maintenance of state-owned buildings. The remaining fifty percent of the net proceeds shall be returned to the agency that the property is owned by, under the control of, or assigned to and shall be used by that agency for nonrecurring purposes. This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the MUSC Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Columbia State Farmers Market; the Department of Agriculture's Columbia Metrology Lab building and property; the Charleston Naval Complex Redevelopment Authority; the Department of Commerce's Division of Public Railways; the Midlands Technical College Enterprise Campus Authority; the Trident Technical College Enterprise Campus Authority; the Commissioners residence at the Department of Corrections and the Educational Television Commission's Key Road property.

The Educational Television Commission shall be authorized to retain the net proceeds from the sale of its property on Key Road, and such proceeds may be used for the renovation of the ETV Telecommunications Center and other maintenance and operating expenses. If it is determined that sufficient net proceeds are not to be derived from the sale of its property on Key Road to cover the cost of all renovations of the Telecommunications Center, the property on Key Road shall not be sold. Any proposed sale hereunder shall, prior to said sale, be submitted to the Department of Administration for approval as being in compliance with the requirements of this subsection.

The Department of Corrections shall be authorized to retain the net proceeds from the sale of the residence provided for the Commissioner of the Department of Corrections and use such proceeds for deferred maintenance needs at the Department of Corrections.

The Forestry Commission shall be authorized to retain the net proceeds from the sale of surplus land for use in firefighting operations and replacement of firefighting equipment.

The Department of Natural Resources shall be authorized to retain the net proceeds from the sale of existing offices originally purchased with a federal grant or with restricted revenue from hunting and fishing license sales for the improvement, consolidation, and/or establishment of regional offices and related facilities.

The Department of Agriculture, the Educational Television Commission, the Department of Corrections, the Department of Natural Resources, and the Forestry Commission shall annually submit a report, within sixty days after the close of the fiscal year, to the Senate Finance Committee and the House Ways and Means Committee on the status of the sale of the identified property and a detailed accounting on the expenditure of funds resulting from such sale.

This provision is comprehensive and supersedes any conflicting provisions concerning disposition of state-owned real property whether in permanent law, temporary law or by provision elsewhere in this act.

Any unused portion of these funds may be carried forward into succeeding fiscal years and used for the same purposes.